

MACRO DAILY

12 June 2020

Macro developments

- RBI sold net US\$ 1.1bn in the spot market in Apr'20 compared with US\$ 4.1bn sales in Mar'20. In the forwards market, RBI purchased US\$ 3.2bn in Apr'20 versus net sales of US\$ 2.6bn in Mar'20. RBI's net outstanding forward sales position is at US\$ 1.7bn versus US\$ 4.9bn in Mar'20.
- UNCTAD estimates world trade to contract by 27% in Q2CY20 in value terms, versus a decline of 5% in Q1CY20 due to the COVID-19 pandemic. The decline is more pronounced in Apr'20 with trade nose-diving sharply in developing countries. Trade in energy and auto products is estimated to have fallen by 40% and 50% respectively in Apr'20. For CY20, global trade is expected to contract by 20%.
- US PPI rose by 0.4% on MoM basis in May'20 versus 1.3% decline in Apr'20, driven by higher prices of final goods (1.6% versus 3.3% decline in Apr'20). Within goods, prices of both food and energy rose. Prices of services continued to decline by 0.2% in May'20. Separately, initial jobless claims for the week ending 6 Jun eased to 1.5mn from 1.9mn the previous week. The 4W-moving average also eased to 2mn (previously 2.3mn).

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Markets

- **Bonds:** Except India, global yields closed lower as Fed painted a grimmer economic outlook in the near term. Apart from this, fear of second wave of infections also prevailed. US 10Y yield fell by 6bps (0.67%). Crude prices fell by 7.6% (US\$ 39/bbl) amidst demand concerns. India's 10Y yield rose a tad by 1bps (5.99%). It is trading at 6% today.
- **Currency:** Barring JPY, other global currencies closed lower on concerns over a quick economic recovery. DXY and JPY edged up by 0.8% and 0.2% respectively. AUD fell by 2%. GBP too depreciated by 1.1% INR fell by 0.3% amidst FII outflows. It is trading further lower today in line with other Asian currencies.
- **Equity:** Global indices ended lower led by as fears of possible second wave of COVID-19 resurfaced. Dow (6.9%) declined the most followed by Dax (4.5%) and FTSE (4%). Sensex (2.1%) too ended lower led by subdued global cues and was further dragged down by metal and banking stocks. It is trading lower today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.67	(6)	(15)	(4)	(14)	(143)
UK	0.20	(7)	(11)	(7)	(7)	(64)
Japan	0.01	(1)	(3)	(0)	7	12
Germany	(0.41)	(8)	(9)	10	33	(17)
India	5.99	1	(2)	(18)	(25)	(102)
China	2.77	(5)	(6)	13	14	(50)
2Y yields (Δ bps)						
US	0.20	3	0	2	(28)	(164)
UK	(0.05)	(1)	(5)	(6)	(25)	(64)
Japan	(0.14)	0	0	(1)	8	6
Germany	(0.65)	(3)	(4)	10	28	3
India	4.44	1	4	1	(97)	(184)
China	1.99	(1)	0	75	3	(54)
Currencies (Δ %)						
EUR	1.1299	(0.7)	(0.3)	4.6	1.0	0.2
GBP	1.2602	(1.1)	0.0	2.2	0.2	(0.6)
JPY	106.87	0.2	2.1	0.7	(2.1)	1.4
AUD	0.6855	(2.0)	(1.3)	5.6	9.9	(0.9)
INR	75.79	(0.3)	(0.3)	(0.1)	(2.1)	(9.0)
CNY	7.0650	(0.1)	0.6	0.5	(0.5)	(2.1)
Equity & Other indices (Δ %)						
Dow	25,128	(6.9)	(4.4)	3.7	18.5	(3.7)
FTSE	6,077	(4.0)	(4.2)	2.3	16.0	(17.5)
DAX	11,970	(4.5)	(3.7)	10.6	30.7	(1.6)
NIKKEI	22,473	(2.8)	(1.0)	10.2	21.1	6.9
Shanghai Comp	2,921	(0.8)	0.1	0.9	(0.1)	0.3
SENSEX	33,538	(2.1)	(1.3)	6.3	2.3	(15.6)
Brent (US\$/bbl)	38.55	(7.6)	(3.6)	30.1	16.0	(37.1)
Gold (US\$/oz)	1,728	(0.6)	0.8	1.8	9.6	28.7
CRB Index	366.6	(0.3)	(0.5)	1.3	(7.4)	(11.3)
Rogers Agri Index	676.4	(1.0)	(0.7)	2.9	0.5	(11.3)
LIBOR (3M)*	0.32	0	0	(12)	(42)	(209)
INR 5Y Swap*	5.22	5	6	(9)	(39)	(156)
India FII data (US\$ mn)						
	10 Jun	9 Jun	WTD	MTD	CYTD	FYTD
FII-Debt	(10.1)	(66.2)	(80.9)	(306.6)	(14,361.9)	(4,602.4)
FII-Equity	(49.1)	63.2	153.3	2,751.4	(2,163.2)	4,439.8

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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